

**STATE OF ILLINOIS  
ILLINOIS COMMENCE COMMISSION  
DOCKERT NO. 05-0345**

**REVISED DIRECT TESTIMONY OF MITCHELL BERG  
ON BEHALF OF WOODLAWN UTILITIES CORPORATION**

1.     **Q.     Please state your name and business address.**
2.     **A.     Mitchell Berg, Woodlawn Utilities Corporation ("Woodlawn"),**
3.             **3127 Wallin Avenue, Rockford, Illinois 61101.**
4.     **Q.     By whom are you employed and in what capacity?**
5.     **A.     I am the President of Woodlawn and Smith Ecological Systems, Inc.**
6.     **Q.     Please summarize your professional background?**
7.     **A.     I have 27 years of experience in the sales and service of pumps (All Types),**
8.             **Aerators and chemical feed equipment. I have been president**
9.             **of Smith Ecological Systems, Inc. for the past 20 years. I have been owner**
- and President of Woodlawn Utility Corporation since August of 11 1996.**
10.    **Q.     Are you a member of any professional organizations?**
11.    **A.     Yes. American Water Works Association.**
12.    **Q.     Please describe your work experience?**
13.    **A.     I am responsible for purchasing all materials and the introduction of**
14.             **new products and inventory controls for Smith Ecological Systems, Inc.**
15.    **Q.     As President of Woodlawn, what are your general duties?**
16.    **A.     My present responsibilities include the Administrative,**
17.             **Secretarial/Clerical, Accounting, Human Resources and Revenues duties.**
18.    **Q.     Who is responsible for the everyday operations of Woodlawn?**
19.    **A.     The responsibility of the operations of Woodlawn falls under the**

20. guidelines of M.G.D. Water Systems, Inc. M.G.D. Water Systems, Inc.  
21. handles the everyday Operations, Monitoring, Engineering and  
22. Compliance Sampling. M.G.D. Water systems' president is Mr. Michael  
23. Megurdichian who also serves as Secretary of Woodlawn.

24. Q. Have you provided testimony before the Illinois Commerce  
25. Commission ("Commission") in the past?

26. A. Yes. I have provided testimony before the Commission regarding  
27. the approval of the purchase of Nordic Park water system.

28. Q. What is the purpose of your direct testimony in this proceeding?

29. A. The purpose of my direct testimony is to explain why Woodlawn is  
30. requesting a certificate to provide water service in the area which is the  
31. subject of the Petition filed in this docket. I will explain why granting the  
32. certificate will allow Woodlawn to provide adequate, reliable and efficient  
33. service to potential customers at the least cost. I will also describe the  
34. Agreement between Woodlawn and Nordic Investment  
35. Corporation (NIC) for the acquisition by Woodlawn of the proposed  
36. water system to serve the area known as Sheridan Grove Subdivision for  
37. which certification is requested. To the extent necessary, Woodlawn  
38. requests approval of the portion of this agreement that deals with the  
39. refunding of the backbone plant and, therefore, I will discuss the  
40. reasons this agreement is in the best interest of Woodlawn, and the public.

41. Q. Please explain why Woodlawn is requesting a certificate to provide  
42. water service in the area which is the subject of the Petition.

43. A. NIC owns the property serving the area for which Woodlawn is currently  
44. requesting certification. In preparation for the 224 residential homes to be  
45. constructed in Sheridan Grove Subdivision, NIC will construct

46. two (2) wells, two (2) hydropneumatic tanks having 14,000 gallons each,  
47. a well house, along with water mains. Woodlawn has agreed to refund  
48. the backbone plant from NIC. These facilities are adequate to provide  
49. service to the residential development. Over the years, as the development  
50. may progress over the 224 homes, additional facilities may be required  
51. and they will be expanded or added as needed. At this time, however,  
52. Woodlawn is not proposing any future water facilities.

53. Q. Are there any other public water systems providing service to the  
54. Sheridan Grove Subdivision in question?

55. A. No other water utilities serve this area. Moreover, the Subdivision  
56. for which certification is requested is located within the corporate  
57. limits of the Village of New Milford. The Village of New Milford's  
58. residents have individual well(s) to supply their water needs.

59. Q. Is the requested certification necessary, and will the public be  
60. inconvenienced thereby?

61. A. Yes. Certification is necessary. A 224 residential development is planned  
62. for the area and future property owners will soon be needing service to  
63. this development. In fact construction of the water system commenced and  
64. is now 75% complete. We expect the property owners will need water  
65. service shortly after an IEPA operating permit has been granted.

66. Q. Will Woodlawn and it's affiliates be able to provide adequate, reliable and  
67. efficient service to customers?

68. A. Yes. The proposed water facilities were designed by professional  
69. engineers, and will be tested and inspected to meet all necessary  
70. approvals. These facilities are sufficient to serve the subdivision for  
71. which certification is requested. If the certificate is granted, Woodlawn

72. will provide reliable and efficient service through Sheridian Grove  
73. Subdivision as it does in Woodlawn and Nordic Park service areas.

74. **Q.** Is certification of Woodlawn the least-cost means of satisfying the  
75. service needs of customers to be located in the area for which  
76. certification is sought?

77. **A.** Yes. Woodlawn's ownership and operation constitutes the least-cost  
78. means of satisfying the service needs of the customers in the area. Indeed,  
79. Woodlawn is virtually the only means of satisfying the service needs of  
80. the area for which certification is being sought. Water facilities to serve  
81. the area are currently being developed, and the owner of those facilities,  
82. NIC, already has entered into an agreement to have these facilities refunded  
83. by Woodlawn. Also, since the Village of New Milford does not have water  
84. facilities to serve its residents, the most cost efficient means of service  
85. would be for Woodlawn, who already has an agreement to refund the  
86. facilities, to establish a service to the area. Additionally, the refund of  
87. facilities (which is described later in my testimony) is structured in a way  
88. which minimizes initial capital investments by Woodlawn and provides  
89. for investment to occur based on revenue. Finally, the fact  
90. that the Commission has jurisdiction over the rates and services provides  
91. assurance that Woodlawn will provide adequate, reliable and efficient  
92. service at the least cost.

93. **Q.** Is Woodlawn capable of efficiently managing and supervising the  
94. activities necessary to serve all of the parcels?

95. **A.** Yes. Woodlawn does not directly employ any personal to operate the  
96. facilities. However, Woodlawn has entered into affiliated agreements with  
97. M.G.D. Water Systems, Inc. and Smith Ecological Systems, Inc. that

198. possess direct managerial and technical ability to provide service to the  
199. area for which certification is requested. Woodlawn and its affiliates have  
200. existing agreements, which the Commission approved in Docket  
201. No. 98-0001, to provide service to Woodlawn and Nordic Park service  
202. area.

203. **Q. Is Woodlawn capable of financing the purchase of the facilities**  
204. **without significant adverse financial consequences to the utility or its**  
205. **future customers?**

206. **A. Yes. The agreement entered into with NIC varies from the Commission's**  
207. **rules. It is important to note that NIC will be responsible for financing the**  
208. **engineering and all necessary approvals needed to construct the water**  
209. **facilities in the subdivision. Further, the agreement requires Woodlawn**  
210. **to refund the monies back to NIC for the backbone water facilities.**  
211. **Based on the agreement, Woodlawn will have invested**  
212. **approximately \$380,000 of the \$1,000,000 estimated cost of the water**  
213. **facilities. The agreement is entitled "Agreement" and was executed on**  
**November 22, 2004. The Agreement was filed with the Petition as Exhibit A.**

214. **Q. Is the Agreement the result of arm's-length negotiations between**  
215. **Woodlawn and NIC, and does it represents the best interests of both**  
216. **parties?**

217. **A. Yes. Both parties voluntarily entered into this Agreement with each other**  
218. **under terms that were mutually satisfying to each party. If the terms of the**  
219. **Agreement were not satisfactory, either party could have elected to**  
220. **abandon negotiations, or to negotiate with another party. The Agreement**  
221. **was entered into in good faith and, in my opinion, is fair to both parties,**  
222. **and produces results that are in the public interest and serve the public**

123. convenience.
124. Q. What is the purchase price for the facilities?
125. A. Under the Agreement, Woodlawn pays no money down and will refund
126. NIC for the water backbone plant based on review in the amount of
127. approximately \$380,000. Backbone plant includes two new wells, well house,
128. and two storage tanks having 28,000 gallons combined storage and related
129. appurtenances. The amount of refund is described in the agreement.
130. Woodlawn will make these refunds for a period of ten years from the date
131. of the first customer connection. NIC will be responsible to the utility for
132. approximately \$620,000, which represents the mains, hydrants and
133. related appurtenances.
134. Q. What are the initial proposed water rates for Sheridan Grove Subdivision
135. and their impact on a customer?
136. A. Woodlawn proposes to establish the following initial rates for the Sheridan
137. Grove Subdivision. The proposed rates are as follows:
- |      |                   |                           |
|------|-------------------|---------------------------|
| 138. | ¾" Meter          | \$13.00 monthly           |
| 139. | 1" Meter          | \$ 17.00 monthly          |
| 140. | 1-1/2" Meter      | \$ 25.00 monthly          |
| 141. | 2" Meter          | \$ 30.00 monthly          |
| 142. | Gallonge Charges: | \$ 3.50 per 1,000 gallons |
143. Based on a consumption of 7,000 gallons per month, the customers' monthly
144. bill will be \$37.50. The consumption is based on an estimated usage
145. between Nordic Park and Woodlawn as an average. (5.33 TGPM
146. Woodlawn, 8.25 TGPM Nordic Woods).
147. Q. Are you familiar with 83 Illinois Administrative Code 600.370?
148. A. Yes, I am familiar with Section 600.370.

149. Q. Does the financial arrangement, under the Agreement, comply with  
150. 83 Illinois Administrative Code 600.370?

151. A. Developers and customers requesting water service, which requires a main  
152. extension, would be governed by 83 Illinois Administrative Code  
153. 600, Section 600.370, Service to New Customers. This section outlines  
154. the terms and conditions for the water main extension to be made by the  
155. customer and a water company. The agreement between Woodlawn and  
156. NIC partially complies with Part 600.370, that Woodlawn would refund  
157. the monies for the backbone water facilities. However, the agreement  
158. would alleviate Woodlawn from refunding the monies back to NIC for  
159. the construction of the distribution system, therefore, does not comply  
160. fully with Part 600.370. In my opinion, the agreement protects the  
161. Company and the customers from a slow or even a failed development.

162. Q. Is Woodlawn requesting that Commission grant a variance from Part  
163. 600.370?

164. A. Yes.

165. Q. In your opinion, would approval of the Agreement be in the best  
166. interest of Woodlawn and its future ratepayers, and in the public  
167. interest?

168. A. Yes. Woodlawn's ownership and the affiliated interest companies  
169. operation and maintenance of the water facilities is necessary to provide  
170. adequate, reliable and efficient water to customers to be located within the  
171. area for which certification is sought. There will be no adverse impact on  
172. Woodlawn nor its subsidiary company.

173. Q. Will Sheridan Grove Subdivision water facilities be merged with  
174. Woodlawn or be another subsidiary company, similar to Nordic Park

175.           **Water & Sewerage Disposal Company, Incorporated?**
176.    **A.     We plan to have Sheridan Grove Subdivision water facilities be an extension**
177.           **of Woodlawn's service area, with the same rules, regulations and**
178.           **conditions of service. Also, we plan to maintain separate accounting**
179.           **books for this service area.**
180.    **Q.     Will you be using the depreciation rate as set forth for Woodlawn?**
181.    **A.     Yes**
182.    **Q.     Have you included a ten year income forecast?**
183.    **A.     Yes**
184.    **Q.     Does this conclude your testimony?**
185.    **A.     Yes.**